

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

NORTHERN ILLINOIS GAS COMPANY)	
d/b/a NICOR GAS COMPANY)	
)	Docket No. 10-0562
Application pursuant to Section 8-104 and)	
Section 9-201 of the Illinois Public Utilities)	
Act for consent to and approval of an Energy)	
Efficiency Plan and approval of Rider 30,)	
Energy Efficiency Plan Cost Recovery and)	
Related changes to Nicor Gas' tariffs)	

Rebuttal Testimony of

JAMES J. JEROZAL, JR

General Manager Energy Efficiency
Nicor Gas Company

December 9, 2010

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1 **I. WITNESS IDENTIFICATION**

2 **Q. Please state your name and business address.**

3 A. James J. Jerozal, Jr, 1844 Ferry Road, Naperville, Illinois, 60563.

4 **Q. By whom and in what position are you employed?**

5 A. I am the General Manager Energy Efficiency for Northern Illinois Gas Company d/b/a
6 Nicor Gas Company (“Nicor Gas” or “Company”).

7 **Q. Are you the same James Jerozal that provided direct and supplemental direct**
8 **testimony in this matter?**

9 A. Yes.

10 **II. ITEMIZED ATTACHMENTS**

11 **Q. Are there any exhibits to your testimony?**

12 A. Yes, I am sponsoring, and have attached hereto, three exhibits:

- 13 • Exhibit 5.1, which updates Nicor Gas Exhibit 1.1 Table 7, Nicor Gas’ EEP Goals
14 and Budgets by Program
- 15 • Exhibit 5.2, which updates Nicor Gas Exhibit 1.1, Appendix A TRC Values
- 16 • Exhibit 5.3, which updates Nicor Gas Exhibit 1.5, Overall Plan Cost Summary

17 **III. PURPOSE OF TESTIMONY**

18 **Q. What is the purpose of your rebuttal testimony?**

19 A. The purpose of my rebuttal testimony is to respond to issues raised and recommendations
20 proposed by the Citizens Utility Board (“CUB”) witness Christopher Thomas, the State
21 of Illinois Attorney General (“AG”) witness Philip Mosenthal, the Environmental Law

and Policy Center (“ELPC”) witness Geoffrey Crandall, and Department of Commerce and Economic Opportunity witness Jonathan Feipel (“DCEO”), and the Northern Illinois Municipal Natural Gas Franchise Consortium (the “Consortium”) witness Martin Bourke. I emphasize that Nicor Gas’ failure to respond to a particular issue raised by Staff or the Intervenors should not be construed as an endorsement of those issues.

Q. Please summarize the other rebuttal testimony.

A. I introduce the other witnesses presenting rebuttal testimony in support of the Company’s proposed Energy Efficiency Plan (“EEP” or “the Plan”) and Rider 30:

- Kevin J. Lawless (Nicor Gas Ex. 6.0) presents testimony responding to Staff and Intervenor positions regarding administrative costs, evaluation plan, deeming of savings and the application of the Total Resource Cost (TRC) test.
- Malcolm J. Quick (Nicor Gas Ex. 7.0) presents testimony responding to Staff and Intervenor positions regarding budget limitation, the appropriate therm reduction goal, the Rider 29 reconciliation issue, and changes to Rider 30 regarding incentive compensation.

Q. Please summarize your rebuttal testimony.

A. Below I summarize my main points:

- (1) Nicor Gas has proposed an EEP budget for its first three year plan that is reasonable – balancing the ability to meet statutory requirements while recognizing the impact on customers that must fund these programs. In contrast, the budget strategies proposed by Intervenors seek to dramatically increase the amount spent in these early years without addressing the impact on ratepayers. Nicor Gas’ opinion is that simply spending more may not improve results during first three year plan period.
- (2) I provide errata correcting three omissions to the original filing.

- (3) Section 8-104 of the Public Utilities Act (“Act”) does not contemplate an advisory group. While the Company is willing to consider input from all stakeholders, it is the Company’s obligation to meet the requirements of the Act. Accordingly, Nicor Gas will work with a gas utility advisory group subject to it being purely advisory, the roles and responsibilities of participants are well defined, and is broad-based in nature.
- (4) Nicor Gas agrees that a company-specific Technical Resource Manual (“TRM”) would well-serve the utilities and stakeholders. However, the Company believes that a statewide TRM would be impractical. The process and cost to develop a single agreed-upon standard for all measures across the state will be a significant and costly endeavor. Differences among utilities may result in artificially forcing a generic compromised methodology at the expense of the unique and most appropriate methodology for Nicor Gas and its customers.
- (5) Nicor Gas’ proposal to retain budget flexibility to adjust funding within the portfolio of EEP programs is reasonable and should be adopted.
- (6) I discuss the Behavioral Energy Savings Pilot objectives and the nature of a pilot. The detailed criticisms from the Intervenors are premature.
- (7) Bass & Company (“Bass”) has provided Nicor Gas with critical expertise in understanding the complexities of energy efficiency issues and developing the proposed EEP. Given that the Company does not have, nor has had, such capabilities internally, Bass has provided the Company and customers with value that is otherwise unavailable.
- (8) AG witness Mosenthal appears to misapprehend certain aspects of the EEP, or otherwise submits incorrect information. I will provide corrections to these errors.
- (9) DCEO’s proposed flat budget is unreasonable and should be rejected. I describe why a ramped budget as proposed by Nicor Gas is more appropriate to accommodate the build-up of the integrated gas and electric programs, as well as discussion on why statutorily; it is consistent with the Section 8-104 of the Public Utilities Act (the “Act”).
- (10) The Consortium’s testimony is wholly irrelevant to the Commission’s considerations of the EEP under Section 8-104 of the Act.

79 **IV. SPENDING CAP**

80 **Q. What is the budget limitation?**

81 A. For the utility, the budget limit simply is a cap on how much it may spend to achieve the
82 statutory goals of Section 8-104.

83 a natural gas utility shall limit the amount of energy efficiency
84 implemented in any 3-year reporting period to...an amount
85 necessary to limit the estimated average annual increase in the
86 amounts paid by retail customers in connection with natural gas
87 service to no more than 2% in the applicable 3-year reporting
88 period.

89 220 ILCS 5/8-104.

90 **Q. Why is Nicor Gas proposing to spend less than the statutory limit in its 3-year plan?**

91 A. Section 8-104 (c) states: “Natural Gas utilities shall implement cost-effective energy
92 efficiency measures to *meet at least* the following natural gas savings requirements....”
93 220 ILCS 8-104(c) (emphasis added). The Company’s plan is designed to spend an
94 adequate amount of money to *meet* this statutory requirement and thereby minimizing
95 rate increase impact to all customers.

96 The statutory goals as stipulated in Section 8-104 (c) ramp up over time,
97 indicating the Act’s intent to grow the volume of savings over time, rather than reach
98 maximum potential immediately and spend every dollar available.

99 **Q. Is ELPC witness Crandall’s directive for the Company to spend the maximum**
100 **amount available supported by Section 8-104?**

101 A. Mr. Crandall stated that

I recommend that the Commission direct Nicor to amend its energy efficiency plan to increase its investment in cost effective energy programs to the maximum under the price cap. That would more than double the investment planned in PY1.... The result would be to maximize the benefits to Illinois residents and businesses.

(ELPC Ex. 1.0, 8:22-9:3).

Mr. Crandall fails to acknowledge that this action *also will double the rate impact to ratepayers unnecessarily*. Section 8-104 provides the Company with the two directives previously mentioned—section (c) provides for the minimum savings expectation and section (d) provides the maximum spend limit. Nowhere does Section 8-104 indicate that the Company should spend up to the cap.

Q. How does the Company respond to Mr. Crandall’s assertion that there is “significant risk that Nicor will fall short of statutory savings”? (ELPC Ex. 1.0, 3:2-3).

A. The Company does not share Mr. Crandall’s concerns. As discussed by Mr. Crandall, approximately 80% of Nicor Gas’ projected therm savings (not including DCEO) are continuations from our Rider 29 EEP. (ELPC Ex. 1.0, 7:3-4). Mr. Crandall seems to be concerned about the remaining “new” programs which make up 20% of the projected savings. There are two programs (Small Business Direct Install and Retro-Commissioning) offered jointly with ComEd, where ComEd has previous experience. These programs account for 12% of this 20% component. Another 4% of this component comes from the Behavioral Energy Efficiency pilot—a program which every utility in the state is offering. Consequently the remaining 4% comes from four new programs to be implemented by the Company. I would hardly characterize this as a “significant risk.”

126 **Q. What is the Company's position regarding the EEP budget?**

127 A. The Commission should approve the Company proposed EEP budget, as revised in this
128 rebuttal testimony. This budget considers the expenditures necessary to meet the
129 statutory goals while balancing the interest of ratepayers who bear the burden to fund
130 these programs.

131 **V. ERRATA**

132 **Q. Mr. Jerozal, do you have any corrections to your previously filed direct testimony**
133 **and exhibits?**

134 A. Yes. I have revised the budgets for three of the programs: The Behavioral Energy
135 Savings Pilot, the Elementary Energy Education Program, and the Small Business Direct
136 Install Program.

137 **Q. What is the nature of the revision to the Behavioral Energy Savings pilot?**

138 A. We omitted vendor implementation costs. For Program Year 2, the amount is \$250,000
139 and for Program Year 3 this amount is \$500,000. CUB witness Thomas noted this
140 omission in his testimony. (CUB Ex. 1.0, 9:162-66).

141 **Q. What is the nature of the revision to the Elementary Energy Education program?**

142 A. We omitted the cost of the education kits. For Program Year 1 the amount is \$275,000,
143 for Program Year 2 the amount is \$549,974, and for Program Year 3 this amount is
144 \$825,017.

145 **Q. What is the nature of the revision to the Small Business Direct Install program?**

146 A. We omitted the cost of the incentives. For Program Year 1 the amount is \$225,805, for
147 Program Year 2 the amount is \$720,845, and for Program Year 3 this amount is
148 \$1,144,760.

149 **Q. Are there any other revisions to Nicor Gas' proposed budget?**

150 A. Yes. Based on these revisions, Nicor Gas would adjust upward the budgets for DCEO,
151 EM&V, Emerging Technology and Advertising and Promotion in a manner consistent
152 with formulation of the original budget. (See Nicor Gas Ex. 1.1, Table 7 Rev., attached
153 as Nicor Gas Ex. 5.1).

154 **Q. With these revisions, are Nicor Gas' EEP programs still cost-effective?**

155 A. Yes. Each program remains cost-effective using the Total Resource Cost ("TRC") test,
156 which is updated in Nicor Gas Exhibit 1.1, Appendix A, and is attached to this rebuttal
157 testimony as Nicor Gas Exhibit 5.2.

158 **VI. DISCUSSION OF A NATURAL GAS ADVISORY GROUP**

159 **Q. Messrs. Mosenthal, Crandall, and Thomas all recommend that Nicor Gas**
160 **participate in a Commission mandated Stakeholder Advisory Group ("SAG").**

161 **What is Nicor Gas' opinion? (See AG Ex. 1.0, 15:14-15; ELPC Ex. 1.0, 3:6-8; CUB**
162 **Ex. 1.0, 3:54-56).**

163 A. While Section 8-104 does not mandate any type of advisory group for gas utilities, Nicor
164 Gas' would not be averse to participating with such a group as long as it remained in an
165 advisory capacity.

166 **Q. If a natural gas advisory group was developed, what guidelines would you propose**
167 **for such a group?**

168 A. The Company would propose the following guidelines:

169 (1) Advisory – The Company believes the group should be advisory in nature and
170 focused on assisting the Company to consider a broad range of perspectives to
171 improve the overall EEP and its operations.

172 (2) Broad-based – A well designed advisory group would represent a broad base of
173 interests including consumer advocates, environmental advocates, community
174 leaders, program implementers, union leaders, trade groups, manufacturers,
175 distributors, contractors, ESCOs, businesses, the public and other entities
176 interested in the energy efficiency marketplace. ICC Staff should be a participant
177 or observer.

178 (3) Structure – The governance process, meeting schedule, objectives and roles for
179 the participants should be well-defined but not overly complex.

180 Since the ultimate responsibility for complying with the statute rests with the
181 utility it would be unreasonable for the process to leave Nicor Gas in a position where it
182 could not fulfill its obligations.

183 **Q. Is a Commission-ordered natural gas advisory group the only alternative available**
184 **to Nicor Gas to obtain information and input from stakeholders?**

185 A. Clearly not. For example, Nicor Gas created and currently receives input from a Trade
186 Ally Task Force under our Rider 29 EE program. This group comprised of
187 manufacturers, distributors, installers and others provides real-time feedback from
188 entities directly engaged in deploying, manufacturing and distributing high efficient
189 equipment in Illinois. Nicor Gas also has and can meet with different groups, participate
190 in conferences and trade organizations such as the Consortium for Energy Efficiency
191 (“CEE”) and the Midwest Energy Efficiency Alliance (“MEEA”) to gain insights and
192 input. Nicor Gas has been meeting with ComEd and Peoples Gas routinely (more

frequently than the electric SAG) since March 2010, and plans to continue those meetings to coordinate and synchronize program efforts where practicable. A Commission-mandated advisory group is clearly not the only mechanism to interact with stakeholders.

VII. STATEWIDE TECHNICAL RESOURCE MANUAL (TRM)

Q. What is a TRM and what is its purpose?

A. It is a consistent set of documentation regarding the assumptions about energy savings measures in the EEP. It provides a baseline of technical information for program development, future development and program evaluation. For Nicor Gas, the assumptions used to develop its plan, which are described in a variety of exhibits in the proceeding, could form a strong basis for developing a Nicor Gas specific TRM.

Q. Does Section 8-104 require the development of a TRM?

A. No.

Q. What do witnesses Mosenthal and Crandall propose for the creation of a TRM?

A. The AG and ELPC witnesses suggest creation of a *statewide* TRM. (AG Ex. 1.0, 16:29-30; ELPC Ex. 1.0, 15:3-5).

Q. Does Nicor Gas agree?

A. No. However, if the Commission directs that a TRM is necessary, Nicor Gas would propose that a company-specific TRM, as opposed to a state-wide TRM be developed. Each utility operates in its own unique service territory. There are unique climate, housing stock, customer demographics, industrial base and other market characteristics among the gas and electric service territories in Illinois. These differences will result in different algorithms and assumptions for each company's TRM. Also, each company

uses different planning approaches, program design approaches, tracking and database approaches. The process of bringing together a state-wide TRM will likely result in the loss of these unique characteristics.

VIII. PROGRAM BUDGET FLEXIBILITY

Q. What has Nicor Gas proposed regarding program budget flexibility?

A. As discussed in the Company's Plan, section 1.5.3 titled "Budget and Goal Flexibility" (Nicor Gas Ex. 1.1, p. 30), Nicor Gas requests that:

- it be allowed to exceed individual and market segments (Residential and C&I) level energy savings goals assuming the programs remain cost-effective;
- it have the flexibility to shift budgets within the two market sectors between programs in response to market conditions assuming the individual programs continue to be cost-effective;
- it be allowed to spend up to 20% more than planned within each of the market sectors, assuming that cost-effectiveness is maintained; and
- it be allowed to add additional cost-effective measures to programs without prior Commission approval.

These guidelines provide the Company with the necessary level of budget flexibility to manage the EEP. If the Company needs to exceed these levels, the Company will request Commission approval.

Q. Did any Intervenors present alternative proposals on program budget funding flexibility?

A. Yes. In general, Mr. Mosenthal supports the Company's request for budget flexibility. (AG Ex. 1.0, 25:25-26:1). However, Mr. Mosenthal proposes some alternatives to this flexibility.

- (1) Mr. Mosenthal proposes to discuss with SAG “any shift in budget that results in a 20% or greater change to any program’s budget or that eliminates or adds a program.” (AG Ex. 1.0, 26:10-11);
- (2) Nicor shall not shift more than 10% of spending between residential and C&I sectors without ICC approval; (AG Ex. 1.0, 27:13-15) and
- (3) Nicor shall not modify its plans such that it no longer meets the statutory requirements for allocations to the low income and state and local government markets.” (AG Ex. 1.0, 27:15-17).

Q. How does the company respond to Mr. Mosenthal’s recommendations?

A. Nicor Gas rejects Mr. Mosenthal’s first two recommendations. As further stated in Nicor Gas Exhibit 1.1, page 30, the Company has already proposed a set of conditions that should be brought to the Commission for approval. Other important changes will be discussed with the ICC Staff, and all significant changes will be communicated in the Company’s quarterly reports. Nicor Gas believes this provides the appropriate mechanism and level of oversight for our overall EEP.

IX. BEHAVIORAL ENERGY SAVINGS PILOT

Q. What are the objectives the Behavioral Energy Savings Pilot?

A. The objective of the Behavioral Energy Savings Pilot is to obtain energy savings by providing customers with energy use and comparison information that will help them identify how to change their energy usage behaviors and save energy. (Nicor Gas Ex. 1.1, p. 55).

Q. Are other utilities offering behavioral-based programs in Illinois?

261 A. Yes. Both ComEd and Ameren have proposed behavior-based programs in their EEP.

262 **Q. Do any Intervenors question the Behavioral Pilot?**

263 A. Yes. CUB witness Thomas questions the RFP process; ELPC witness Crandall and
264 Mr. Thomas suggest more collaboration with ComEd; Mr. Thomas questions the
265 allocation of funding to this pilot. (ELPC Ex. 1.0, 4:4-5; CUB Ex. 3:47-49, 11:211-16).

266 **Q. How does the Company respond to these concerns?**

267 A. The detailed criticisms from the Intervenors related to the first two issues are premature.
268 Nicor Gas has yet to develop the pilot. However, as noted in the EEP, Nicor Gas intends
269 to use its standard RFP processes when selecting vendors for energy efficiency programs.
270 (Nicor Gas Ex. 1.1, p. 57).

271 Regarding Mr. Thomas' third point, as acknowledged earlier in this rebuttal
272 testimony, the implementation vendor cost was inadvertently omitted from the plan.

273 **X. PLAN DEVELOPMENT COSTS**

274 **Q. What issues were raised by Intervenor witnesses regarding costs of developing Nicor**
275 **Gas' EEP?**

276 A. Several witnesses were concerned that the costs of developing the Nicor Gas EEP were
277 high and should be reviewed by the Commission in more detail. In particular, the costs
278 for the Bass contract were questioned by AG witness Mosenthal. (AG Ex. 1.0, 34:17-
279 35:2).

280 **Q. What is Nicor Gas' response to this concern?**

281 A. Nicor Gas retained Bass to assist in researching and developing the EEP. The effort to
282 develop the EEP filing, as all are aware, required significant effort to be completed in a
283 short timeframe with significant penalties for late filing as proscribed in the Act. With
284 respect to the specific dollar amounts that Mr. Mosenthal raises, the Bass costs are
285 reasonable and they are not the subject of this proceeding.

286 To further elaborate, Nicor Gas contracted with a management consulting firm,
287 Bass and Company (now CSC) to help develop the overall strategy, plan, and business
288 processes as well as high level requirements for the information systems necessary to
289 support the Company's energy efficiency efforts. Nicor Gas was starting with very little
290 experience to develop this EEP. The Company had few knowledgeable resources in-
291 house regarding energy efficiency and sought experienced assistance from a consulting
292 firm with a strong background not only in energy efficiency but also in how to integrate it
293 with other functions in the Company and who would recognize the choices that Nicor
294 Gas had in implementing energy efficiency strategies. Nicor Gas recognized the need for
295 a comprehensive set of services from a single consulting firm to ensure there was
296 consistency and integration between the various pieces of work needed. The Company
297 also sought to hire a firm that was relatively independent, not engaged in program
298 implementation and who did not bring a specific bias as to how to structure energy
299 efficiency. Bass and Company matched these criteria well.

300 Part of the costs for the Bass assistance includes areas that the Company believes
301 establishes a thoughtful, structured and long-range process to engage in energy
302 efficiency. The Company was the only utility in Illinois to have a Market Potential Study
303 performed prior to filing its first energy efficiency plan. The Company felt that this was

an important building block in the plan development process, especially given the Company's knowledge base and the lack of relevant data within the Company to support a major commitment to energy efficiency. Second, rather than quickly deciding on a model, the Company spent time with Bass to review its strategic options for energy efficiency and review different models for operating the energy efficiency business.

Third, the Company engaged Bass to help define overall energy efficiency business processes and technology requirements so that the Company is much better informed and positioned to make selections for systems and implementation vendors. This will allow the Company to make more consistent and coordinated buying decisions.

Finally, the Company is now in a good position to interface energy efficiency activity with existing business processes within the Company (*e.g.*, call center, rebate check creation, handling of complaints, purchasing processes, etc.).

XI. MISCELLANEOUS MISUNDERSTANDINGS

Q. Mr. Mosenthal states that there seems to be some inconsistency between ComEd's and Nicor Gas' estimated program participants, and he presents a comparison of ComEd's and Nicor Gas' goals for the Single Family Retrofit program. He also states that it appears that Nicor Gas' proposal pushes more cost onto ComEd than is in ComEd's plan. (AG Ex. 1.0, 29:19-30:14). Is Mr. Mosenthal correct?

A. No. Mr. Mosenthal incorrectly stated ComEd's third year participation for this program as 7,800: it should be 8,150 in year three, and the total for the three years should be 15,450 ComEd participants. Nicor Gas recognizes that ComEd's and Nicor Gas' filed goals may not be in total agreement, but the two companies programs were developed

326 through discussions to meet our respective savings targets. ComEd and Nicor Gas have
327 been working toward consistency in program design and participation. ComEd states on
328 page 82 of its plan that the participation levels are for planning purposes and that ComEd
329 may adjust anticipated participation levels as necessary. (Docket No. 10-0570, ComEd
330 Ex. 1.0 Corr., p. 82). ComEd states that the number of participants is highly contingent
331 on the gas companies' plans and budgets for the program. Likewise, Nicor Gas is
332 seeking flexibility within its program to adjust budgets to achieve its savings goals.

333 **Q. Mr. Mosenthal also points out that ComEd explains that program costs for the**
334 **Single Family Retrofit program will be allocated 80% to gas and 20% to electric;**
335 **whereas Nicor Gas states that no cost methodology has been determined at this**
336 **point. (AG Ex. 1.0, 30:3-5). Is Mr. Mosenthal correct?**

337 A. No. Nicor Gas had conversations with ComEd during the development of this program
338 regarding participation and cost sharing. At the time Nicor Gas filed its plan, the two
339 companies had not established formal agreements regarding how the program costs
340 would be allocated nor which specific costs would be shared. Nicor Gas and ComEd
341 continue to have conversations regarding this matter.

342 **Q. In Mr. Mosenthal's discussion of the Single Family Retrofit program, he states that**
343 **Nicor Gas should be obligated to ensure that every ComEd participant in its**
344 **territory that uses gas be offered all appropriate measures. (AG Ex. 1.0, 30:13-14).**
345 **Do you agree with Mr. Mosenthal?**

346 A. No. It is not clear how Mr. Mosenthal defines "all appropriate measures." I believe that
347 within the program design for the Single Family Retrofit program, or for any other
348 program, each participant should be able to participate in all measures that they are

349 qualified for, whether natural gas or electric measures. Nothing presented in the
350 Company's plan is intended to deny participation by any customer eligible for a
351 particular program.

352 **Q. Mr. Mosenthal points to differences between ComEd and Nicor Gas regarding the**
353 **Small Business Direct Install program. He indicates that there seems to be a**
354 **discrepancy between the number of Small Business Direct Install projects planned**
355 **by ComEd and Nicor Gas. He also indicates that there is a discrepancy in the**
356 **funding of this program between ComEd and Nicor Gas. (AG Ex. 1.0, 30:15-31:23).**
357 **Is Mr. Mosenthal correct?**

358 A. No. The primary difference between the numbers of projects reported relates to what is
359 being counted as a project. In our plan the Company counted the number of initial
360 assessments as projects. Not all assessments will result in completed installation of
361 energy efficiency measures. It appears that in ComEd's plan what was being counted
362 was the number of installations. Similar to the Single Family Retrofit program, however,
363 there may still be some differences between the ComEd and the Nicor Gas plans, and the
364 Company continues to collaborate with ComEd to align our program expectations, goals,
365 and operations.

366 **Q. Mr. Mosenthal comments on the differences between the Nicor Gas and ComEd**
367 **Custom Business programs. (AG Ex. 1.0, 32:4-33:13). Do you agree with**
368 **Mr. Mosenthal's characterization of Nicor Gas' and ComEd's cooperation?**

369 A. I do not. Mr. Mosenthal incorrectly compares the number of ComEd and Nicor Gas
370 participants. There are substantial differences between electric energy efficiency and
371 natural gas energy efficiency opportunities. There are many more distinct end uses for

electricity than natural gas. It should not be surprising that ComEd plans to undertake more custom energy efficiency measures.

Additionally, the large majority of natural gas end uses involve space heating, process heating, water heating and institutional or restaurant cooking. Nicor Gas included those measures in its prescriptive Business Incentive program. The program objective for the Custom Business program clearly states, “[t]he purpose of the Custom Business Program is to assist C&I customers in identifying and implementing cost-effective gas energy efficiency measures *that are not otherwise addressed* in Nicor Gas’ Business Incentive Program.” (Nicor Gas Ex. 1.1, Section 3.2, p. 64) (emphasis added). So many of the projects that fit within ComEd’s C&I Custom Incentives program may have gas opportunities that fall within Nicor Gas’ Business Incentive program.

Q. Mr. Mosenthal concludes that “...it seems clear that the commitment to truly integrated efforts has not been made, or at least not taken seriously in the planning process.” (AG Ex. 1.0, 33:20-21). Do you agree?

A. Absolutely not. Nicor Gas, Bass and ComEd have engaged in numerous meetings over an extended period time—since March, 2010. The level of engagement between the two utilities has been and continues to be extensive. This level of engagement between two unrelated utilities is certainly unique in Illinois and new ground for both utilities. Mr. Mosenthal has selectively identified a few differences between the ComEd and Nicor Gas Energy Efficiency Plans as filed. He has made incomplete, uniformed and incorrect comparisons in drawing his conclusions, and he has ignored in his analysis the wealth of information in both ComEd’s and Nicor Gas’ plans where there is alignment and where each company has indicated that further collaboration will be undertaken.

395 **XII. DCEO PROPOSED BUDGET**

396 **Q. Does Nicor Gas have any concerns with DCEO's budget recommendation?**

397 A. Yes. DCEO proposes a flat year-to-year budget. In contrast, Nicor Gas proposes a
398 ramped budget for its EEP which includes DCEO's portion. There are three major points
399 where Nicor Gas and DCEO budgets diverge, that I will address and they include:

400 (1) Building internal capacity;

401 (2) Building momentum into the next portfolio; and

402 (3) Consistency with the Act.

403 **Q. What is Nicor Gas' specific concern with building internal capacity using DCEO's**
404 **flat budget approach?**

405 A. Nicor Gas embarked upon development of a thoughtful, measured and robust EEP. Its
406 budget proposed reflects a logical and reasonable ramp based on all of the analysis we
407 have done.

408 Nicor Gas, as discussed earlier in my testimony, has little experience "in house"
409 to meet the needs required to manage the EEP as envisioned in our filing. There is a need
410 to build the core competencies within the Company. This process will take time, and
411 ramp-up throughout the three years of the plan. We suspect that this is the case with
412 DCEO's own gas programs as well as their integrated gas & electric programs. AG
413 witness Mosenthal concurs with a ramped budget approach when he states "I believe
414 Nicor's plans are appropriate to provide it time to build capability, start new programs,
415 and ramp up over time to well position it for PY4." (AG Ex. 1.0, 35:18-19).

416 **Q. What is Nicor Gas’ specific concern with building momentum into the next portfolio**
417 **using DCEO’s flat budget approach?**

418 A. DCEO’s proposal will result in DCEO needing to increase its annual spending from year
419 3 to year 4 by approximately 70%. Conversely, the Nicor Gas approach allows for
420 graduated increase in spending and position DCEO to better meet its plan year 4 goals.

421 **Q. What is Nicor Gas’ specific concern with consistency with the Act using DCEO’s**
422 **flat budget approach?**

423 A. Mr. Feipel implies that there is a “mandate” of sort that DCEO must “maintain a
424 consistent approach across the state....” (DCEO Ex. 1.0, 40:819-20).

425 The Company interprets Section (e) of the Act to require Nicor Gas to only
426 provide “available funds” which is calculated as 25% of the Nicor Gas budget.

427 The remaining 25% of *available funding* shall be used by the
428 Department of Commerce and Economic Opportunity to
429 implement energy efficiency measures that achieve no less than
430 20% of the requirements of subsection (c) of this Section.

431 220 ILCS 5/8-104(e) (emphasis added). Since the Company’s budget is ramped, funding
432 of a flat DCEO budget would result in Nicor Gas overfunding the statutory 25% in the
433 first program year, and underfunding DCEO in program year three. (*See* Nicor Gas
434 Ex. 1.0, 14:293-304). By synchronizing the DCEO budget with the proposed Nicor Gas
435 budget, DCEO receives (and Nicor Gas collects from its ratepayers) the full 25%
436 statutory amount of the *available funds* each plan year as the Act envisions.

437 **Q. Does Mr. Feipel acknowledge that a ramped budget is possible?**

438 A. Yes. Mr. Feipel states “Although the Department does not favor an escalated budget, it is
439 an alternative option for the Commission to consider.” (DCEO Ex 1.0, 44:873-74).
440 Nicor Gas concurs with this comment.

441 **XIII. THE CONSORTIUM**

442 **Q. What is Nicor Gas’ response to the testimony filed by the Consortium?**

443 A. Consortium witness Bourke argues that there is “a clear potential overlap” between
444 energy efficiency issues in the EEP and energy efficiency issues that the Consortium is
445 seeking to advance through a Model Natural Gas Franchise Agreement it is attempting to
446 obtain. (Consortium Ex. 1.0, 5:79-81, 11:236-39). No part of Section 8-104 references
447 franchise agreements, much less requires a gas utility to enter into a purported “model”
448 franchise agreement.

449 Mr. Bourke further complains that Nicor Gas did not consult the Consortium on
450 energy efficiency issues, pointing to Section 8-104(e), which provides that “[a] minimum
451 of 10% of the entire portfolio of cost effective energy efficiency measures shall be
452 procured from local government, municipal corporations....” (*Id.*, 9:186-98). However,
453 Section 8-104 designates to the DCEO the responsibility of negotiating with
454 municipalities. 220 ILCS 5/8-104(e).

455 Because both issues advanced by Mr. Bourke are wholly irrelevant to the
456 Commission’s considerations of the EEP under Section 8-104 of the Act, the
457 Commission should disregard his testimony.

458 **XIV. CONCLUSIONS AND RECOMMENDATIONS**

459 **Q. Please summarize your conclusions and recommendations.**

460 A. Nicor Gas presents the Commission with a reasonable, comprehensive EEP that satisfies
461 all statutory requirements and is supported by extensive evidence. The EEP will broadly
462 reach over 300,000 customers, save more than 36 million therms, and is cost effective at
463 the program and overall portfolio level across all three years as calculated by the TRC
464 test at 2.2, 2.6, and 2.8. The EEP was created with knowledgeable experts, extensive
465 engagement with internal Nicor Gas staff, stakeholders and other utilities in the state.
466 The team performed a lengthy and detailed analysis of: potential measures; cost-
467 effectiveness studies; the new legislation; and performed a comprehensive market
468 potential study to adopt a prudent and responsible mix of measures and programs that
469 maximize effectiveness of the EEP.

470 In contrast, some of the Intervenor ask the Commission to define higher gas
471 efficiency goals for Nicor Gas contrary to the legislative intent and a plain reading of the
472 law. They also suggest higher spending levels without regard to the customer impact.
473 Intervenor provide little to no analysis as to what those higher goals and spending would
474 mean to the ratepayer. The Intervenor's proposed higher spending approach would
475 catapult the Nicor Gas EEP ahead of nearly all gas programs in the country, many that
476 have been in existence for decades, even though the Company and the state have yet to
477 build the expertise and infrastructure to manage such an effort.

478 Nicor Gas, by contrast, has taken the time to put forth evidence that fully
479 substantiates its proposed goals and graduated plan strategies consistent with the Act.

480 Nicor Gas remains committed to working with Staff, DCEO, and stakeholders to
481 implement a highly cost-effective, robust, and collaborative EEP. The Nicor Gas EEP is
482 a comprehensive, long-term plan that represents best practices and conforms to the spirit
483 and letter of the law.

484 **XV. CONCLUSION**

485 **Q. Does this conclude your rebuttal testimony?**

486 **A. Yes.**